

2019-20

LEGISLATOR'S GUIDE to the Issues

Medicaid Reform

The Issue

Texas Medicaid is fiscally unsound and medically inadequate. By federal law, the first state dollars expended must be for Medicaid spending, and all other state priorities must accept the leftovers. With Medicaid taking an ever-larger bite out of the Texas budget, policymakers are left with fewer opportunities to meet the needs of Texans, restrain spending, and provide tax relief.

Medicaid is dollar inefficient. Federally mandated administration of the program along with requirements for compliance consume dollars needed to provide medical services to the aged, disabled, elderly, children, and pregnant Texans. Medicaid-covered patients have a difficult time getting into a doctor's office and must wait for months before seeing a doctor. During a [public hearing](#) in the 85th Texas Legislature, numerous Medicaid recipients testified before the House Appropriations Committee about the multiple medical failures of Texas Medicaid, such as a lack of services on weekends or services for special needs patients, particularly children.

The reason for these failures is Washington's subversion of the original [1965 Medicaid law](#). Medicaid programs were supposed to be administered by each state individually, not by the federal government. Washington has gradually and incrementally [taken over total administration](#) using a one-size-fits-all approach that fails to address a wide diversity of unique state problems, especially in a state as populous and spread out as Texas.

While the recently renegotiated 2011 Section 1115 waiver for managed care in Medicaid may help, the root cause of dysfunction—the administration of Texas Medicaid by Washington—remains.

Financing of Texas Medicaid is based on the Federal Medical Assistance Percentage Program that provides federal dollars in proportion to how much a state spends. This provides a very powerful and perverse incentive to enroll more people and to spend more money in order to receive greater support from Washington.

Fraud, abuse, and error are common in all Medicaid programs. Every dollar paid out unnecessarily reduces the funds available to pay for those who truly need care. Inappropriate payments have been reported in Arkansas (3.9%), Illinois (34%), Minnesota (17%), Nebraska (25%), New York (8%), and Ohio (10%). If Texas were freed from Washington's control and allowed to use a strict

verification process rather than the mandated federal process, Lone Star Medicaid could save at least \$1.19 billion per year.

The Facts

- [Section 1801](#) of the original 1965 Medicaid law is titled "Prohibition against any federal interference." For five decades, Washington has ignored or distorted this prohibition.
- Medicaid spending from the Texas budget has increased from 17% in 1991 to 24% in 2018.
- As much as \$12 billion of the \$30 billion to be expended by Texas Medicaid in 2018 will be wasted on federal administration and regulatory compliance.
- Less than half of Texas physicians (47%) accept new Medicaid patients. Only 11% of primary care needs of Texans are being met, and during a public hearing on [July 25, 2017](#), during the 85th Legislature, Medicaid enrollees described how Texas Medicaid is failing to meet their needs.

Recommendation

Texas should request a new Section 1115 waiver from CMS for:

- a waiver of all Medicaid insurance regulations so that Texas can administer its own Medicaid program, and
- a fixed-sum block grant to reduce the current perverse incentive.

Resources

["Sendero Health Plans to Withdraw from Medicaid, CHIP Markets"](#) by Taylor Goldenstein, Austin American-Statesman (March 23, 2018).

["2017 Survey of Physician Appointment Wait Times,"](#) Merritt Hawkins (Sept. 2017).

["Medicaid: Yesterday, Today and Tomorrow—A Short History of Medicaid Policy and Its Impact on Texas"](#) by Mary Katherine Stout, Texas Public Policy Foundation (March 2006).

["Hearing on HB 25 and HB 2,"](#) Texas House Committee on Appropriations (July 25, 2017).

["Survey of Texas Physician 2016: Research Findings,"](#) Texas Medical Association.

["The Saga of 1115—A Waiver Can Fix Texas Medicaid, But Only Temporarily"](#) by Deane Waldman, Texas Public Policy Foundation (March 2017).

